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SIPDIS

E.O. 12958: DECL: 11/17/2018
TAGS: [ECON](#) [EFIN](#) [KCRM](#) [PGOV](#) [PINR](#) [PREL](#) [UZ](#)
SUBJECT: URGENT ACTION NEEDED FROM UZBEKISTAN TO ADDRESS
AML/CFT SITUATION

REF: TREASURY 1790

Classified By: SCA DEPUTY ASSISTANT SECRETARY GEORGE KROL
FOR REASONS 1.4 (B) AND (D)

11. (U) This is an action request. Please see paragraphs 6
and 7.

SUMMARY

12. (S//NF) Washington is considering options for USG
implementation of the October 16 Financial Action Task Force
(FATF) call for strengthened preventive measures against
Uzbekistan to protect the international financial system. In
previous similar circumstances, the USG has taken action
under Section 311 of the USA PATRIOT Act to implement FATF
calls for action. In order to give Uzbekistan the
opportunity to address the deficiencies in its anti-money
laundering/counter-terrorist financing regime that have
resulted in FATF,s concerns, post is requested to
immediately engage with Uzbek officials at appropriate levels
to achieve the objectives provided in paragraph 6. The USG
will also participate in a high-level, multilateral FATF
mission to Uzbekistan, tentatively scheduled for November
24-25.

BACKGROUND

13. (SBU) On October 16, the Financial Action Task Force
(FATF) issued a public statement regarding deficiencies in
the anti-money laundering/counter-terrorist financing
(AML/CFT) regime of Uzbekistan. Specifically, the FATF
expressed its increasing concern, called on its members, and
urged all jurisdictions, to strengthen preventive measures to
protect their financial sectors from the risk posed
Uzbekistan,s failure to restore its AML/CFT regime and its
failure to meet international AML/CFT standards (For full
text of FATF,s statement, please see paragraph 8). It is the
expectation that all FATF members will take actions beyond
the advisories they have already issued with respect to
Uzbekistan to implement strengthened preventive measures, and
that they will report those actions to the FATF.

14. (SBU) FATF also will seek further engagement with Uzbekistan by sending a high-level, multilateral mission to Uzbekistan. The FATF Secretariat is currently finalizing dates for the visit with Uzbek officials, but visit is tentatively scheduled for November 24-25. Treasury Deputy Assistant Secretary Daniel Glaser, acting in his capacity as head of the U.S. delegation to the FATF and co-chair of the FATF's International Cooperation Review Group (ICRG), will represent the USG on the FATF mission. (Note: The ICRG is the FATF working group charged with monitoring the AML/CFT situation in Uzbekistan). Russia, Switzerland, Italy, Germany, France and the Eurasian Group also will participate in the mission.

15. (S) Washington continues to weigh options for USG implementation of the FATF call for strengthened preventive measures on Uzbekistan. The USG has used Section 311 of the USA PATRIOT Act to implement similar FATF calls for action against jurisdictions, including the Ukraine, Nauru and Burma. If Uzbekistan refuses to take steps to address FATF's concerns on an urgent basis, the USG may consider utilizing Section 311 to designate Uzbekistan as a "primary money laundering concern." If designated under Section 311, there are a range of actions that the USG may consider. Potential measures include a range of enhanced record-keeping, reporting or information-gathering requirements for transactions involving Uzbekistan, or a prohibition on opening or maintaining correspondent accounts involving Uzbekistan.

OBJECTIVES/ACTION REQUEST

16. (S//REL UZB) Washington requests post to approach appropriate senior level Uzbek officials with direct involvement in this issue, to achieve the following objectives:

- Underscore the importance of the upcoming ICRG visit to Uzbekistan;
- Inform appropriate Uzbek officials about the recent FATF statement on Uzbekistan (See paragraph 8 for full text of statement);
- Emphasize the multilateral nature of, and USG support for FATF and the USG's commitment to implementing FATF actions;
- Provide examples of actions that jurisdictions, including the U.S., could potentially choose to take to implement FATF's call for strengthened preventive measures (See paragraph 7 for examples);
- Inform Uzbekistan that the USG expects to implement FATF's call for preventive measures through potentially invoking Section 311 of the USA PATRIOT Act. Point out that Uzbekistan is isolated on this issue and must address FATF's concerns, and in particular should:
 - A) act immediately to reinstate the portions of its AML regime previously rescinded by presidential decree;
 - B) demonstrate substantial progress towards developing a comprehensive AML/CFT regime that meets international standards;
 - C) engage productively with the high-level FATF mission planning to visit Uzbekistan.

17. (SBU) Washington further requests that post approach the embassies of the United Kingdom, France, Italy, Germany and Japan in Tashkent to request that they engage immediately with Uzbek officials at appropriate levels to urge them to:

- A) act immediately to reinstate the portions of its AML regime previously rescinded by presidential decree;

B) demonstrate substantial progress towards developing a comprehensive AML/CFT regime that meets international standards;

C) engage productively with the high-level FATF mission planning to visit Uzbekistan.

POSSIBLE ACTIONS TO STRENGTHEN PREVENTIVE MEASURES

18. (SBU) Although the USG is generally unaware of what specific actions FATF members plan to take to strengthen preventive measures against Uzbekistan, FATF's October 16 statement calls for measures beyond the advisories that all FATF members have already issued on Uzbekistan. Additional actions against Uzbekistan are likely to vary from country to country, but could include:

-- Requirements for identifying clients and beneficial owners before business relationships are established with individuals or companies from Uzbekistan;

-- Enhanced reporting mechanisms or systemic reporting of financial transactions involving Uzbekistan, on the basis that they are likely to be suspicious;

-- In considering requests for the establishment of subsidiaries or branches or representative offices of financial institutions from Uzbekistan, taking into account that Uzbekistan does not have adequate AML/CFT systems;

-- Warning non-financial sector businesses that transactions with natural or legal persons within that country might run the risk of money laundering;

-- Limiting business relationships or financial transactions with the identified country or persons in that country.

TEXT OF FATF STATEMENT ON UZBEKISTAN

19. (U) Post should share the following text of the FATF's October 16 statement on Uzbekistan with Uzbek officials. The full text can also be downloaded from the following link: <http://www.fatf-gafi.org/dataoecd/25/17/41508956.pdf>.

BEGIN TEXT OF STATEMENT

The FATF takes note of the action plan prepared by Uzbekistan to address deficiencies in its AML/CFT regime.

The FATF is increasingly concerned that the continuing failure by Uzbekistan to restore its AML/CFT regime poses a serious threat to the integrity of the international financial system. Urgent action to address this vulnerability and to meet international standards is necessary.

The FATF calls on its members, and urges all jurisdictions, to strengthen preventive measures to protect their financial sectors from this risk.

The FATF, along with the Eurasian Group, is prepared to engage directly in assisting Uzbekistan in developing a robust AML/CFT regime.

End text of statement.

REPORTING DEADLINE

10. (U) Post should report results by close of business within seven days of receipt of cable. Please slug replies for ISN, T, Treasury, NEA, and INR. Please include SIPDIS in all replies.

POINT OF CONTACT

¶11. (U) The Treasury point of contact for this issue is Jennifer Fowler, (202) 622-1634.

¶12. (U) Treasury thanks Post for its assistance.
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